

Staff Report

PZ17-00008 (Major Community Plan
Amendment) Multi-family High Density
Text Amendment
Summary Sheet



City of Sedona

Community Development Department

102 Roadrunner Drive Sedona, AZ 86336

(928) 282-1154 • Fax: (928) 204-7124

Meeting Date: **Work Session:** September 14, 2017
Public Hearing: September 19, 2017

Hearing Body: **Planning and Zoning Commission**

Action Requested: Consideration of a Major Community Plan Text Amendment

Staff Recommendation: Recommendation of Approval of a Major Community Plan Text Amendment

Applicant: City of Sedona Community Development Department

Sedona Community Plan Designation:
Proposed new designation: Multi-family High Density (MFHD)

Report Prepared By: Cari Meyer, Senior Planner

Attachments:

1. Application Packet: Project Description, Amendment Process, Public Participation Plan
2. Background Report
3. Facts and Figures
4. Citizen Participation Report
5. Staff Responses to Planning and Zoning Commission Work Session
6. Public Comments

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PROJECT SUMMARY

The City of Sedona is proposing a Major Community Plan Text Amendment to add a new land use designation of Multi-family High Density to allow for consideration of development of projects with a density greater than 12 units per acre if the project includes strategies for addressing local housing needs. The text amendment would add a new designation to the Future Land Use Map and Land Use Element of the Community Plan along with adding an additional Land Use Policy addressing multi-family high density development. The proposed text amendment would not redesignate any specific properties to the new land use designation.

BACKGROUND

The Sedona Community Plan has had a limit on multi-family residential density of 12 units per acre since it was first adopted in November 1991. Over the past several years, a number of developers have expressed a desire to develop apartment complexes, particularly to serve the local workforce. However, based on the unit sizes and price ranges that would provide a multi-family product to meet the demands of the local workforce, the densities needed to make a project feasible exceed 12 units per acre. Based on the current language in the Community Plan, those densities would not be supported.

While the housing market in Sedona has been tight, in the past, the demand has been able to be met through the existing housing stock, with houses being rented out as long term rentals to the local workforce. However, with the State's passage of Senate Bill (SB) 1350 in 2016 (effective January 2017), much of that rental housing stock was converted into short term rentals, further taxing the local housing market.

As the City has begun exploring strategies for addressing local housing concerns, the limit of 12 units per acre has been a stumbling block for the type of housing development (unit size and price range) that provides more diverse and affordable housing options. Therefore, the City is proposing a Major Community Plan Text Amendment to add a new land use designation of Multi-family High Density to allow for consideration of development of projects with a density greater than 12 units per acre if the project includes strategies for addressing local housing needs. The proposed text amendment would add a new designation to the Future Land Use Map and Land Use Element of the Community Plan along with adding an additional Land Use Policy addressing multi-family high density development.

While the proposed text amendment would not redesignate any specific properties to the new land use designation, another application being considered at the same public hearing (Pinon/89A Multi-family Project, PZ17-00009) is proposing to apply this designation to a property. While the text amendment must be approved for the Pinon/89A project to be considered, approval of the text amendment does not guarantee approval of the Pinon/89A proposal. However, without approval of the text amendment, the Pinon/89A project cannot be considered.

PUBLIC INPUT

- The proposal documents were placed on the Projects and Proposals page of the Community Development Department website (www.sedonaaz.gov/projects).

- An open house was held on August 22, 2017.
- The Citizen Participation Report for the proposal is included as Attachment 4.
- This proposal was included in the City-wide notice distributed by the City regarding all 2017 proposed Major Community Plan Amendments.
- A notice was published in the Red Rock News on September 1, 2017.

REVIEW AGENCY COMMENTS AND CONCERNS

The submitted documents were routed to review agencies for comments. Comments were received from the following agencies:

1. City of Sedona Public Works Department
 - a. No comments on the proposed text, but a general comment stating that increased density may require the developer to install additional infrastructure. Those requirements will be reviewed for individual projects when an application is made.
2. UniSource Energy Services
 - a. No conflicts with proposal.

COMMUNITY PLAN

The Sedona Community Plan does not currently have a Future Land Use Designation that allows for more than 12 units per acre. However, one of the “Six Major Outcomes” of the Community Plan is Housing Diversity and the Land Use, Housing, and Growth element encourages diverse and affordable housing options. In order to be able to consider applications that propose more than 12 units per acre, a new Land Use Designation is needed.

AMENDMENT PROPOSAL

The proposed text amendments are as follows:

1. Future Land Use Map – page 27 and 51. Add the following to the Map legend:
“Multi-family High Density (Greater than 12 DU/AC)”
2. Page 26 – Multi-family Residential. Add the following:
“High Density multi-family projects may exceed densities of 12 DU/AC on a case-by-case basis through consideration of strategies for achieving housing diversity, affordability and availability to address local housing needs.”
3. Page 54 – Policies. Add a new policy #17:
“Allow densities greater than 12 dwelling units per acre through consideration of projects with strategies for achieving housing diversity, affordability and availability to address local housing needs in areas designated for Multi-family High Density”.

PUBLIC COMMENT

Below is a summary of the comments received:

- The City needs to be considering how to provide housing for various sectors of the population, including workforce, seniors, and families.
- The City should consider alternative forms of housing to address housing needs (tiny homes, modular units).

- The City should provide a build out estimate to accompany this proposal.
- The City should not increase densities. Solving the issue of low cost housing should not be an objective of the City.
- Sedona incorporated to preserve its scenic surroundings, small-town character and quality of life. High density should not be allowed.
- The Plan is only 3 years old and should not be changed. Additional density will create more traffic and noise.
- Cottonwood is not the solution for housing. There should be an option for a professional, hard-working person to live here.
- This amendment does not provide enough incentive for multi-family high density projects due to the following:
 - It requires another major amendment to change the Future Land Use Map to the new High Density designation.
 - Land costs and city fees (sewer, development impact fees) are still too high

City Staff completed the required citizen outreach for this project. A summary of that outreach is included as Attachment 4. All written comments received are included as Attachment 6.

PLANNING AND ZONING COMMISSION WORK SESSION

The Planning and Zoning Commission conducted a site visit to the subject property on August 10, 2017, and held a work session on the proposal on August 15, 2017. Questions and comments raised during those meetings and Staff's responses are included in Attachment 5.

REVIEW GUIDELINES

The following is requested from the Planning and Zoning Commission:

MAJOR COMMUNITY PLAN AMENDMENT

Recommendation of Approval from the Planning and Zoning Commission

In making a recommendation regarding a Major Community Plan Amendment to City Council, the Planning and Zoning Commission should determine whether such amendment is in the interest of the public and is consistent with the community's vision, adopted plans, Community Focus Area (CFA) Community Expectations, and overall consistency with the Sedona Community Plan.

DISCUSSION (MAJOR COMMUNITY PLAN AMENDMENT)

As defined by ARS 9-461.06, a major amendment is a substantial alteration of the City's land use mixture or balance as established in the Community Plan's Land Use Element. It is up to the City to develop criteria that meet this definition. Based on the criteria set by the City of Sedona in the Community Plan (page 113), the following Major Amendment criteria apply to this application:

1. *A change to the Future Land Use Map where a new land use designation is applied to the Map.*
2. *A modification to the text of the Community Plan that proposes:*
 - a. *A change in the density ranges within the residential land use categories or a change in the intensity of any land use category.*
 - b. *Substantial changes to goals and policies in the Land Use, Housing, and Growth Chapter.*

c. Addition of a new land use designation.

Once it has been determined that a Major Amendment is required, the following are required for the review of the application:

1. Major amendments are subject to public participation procedures adopted by the City Council.
 - a. As the property is not for a specific parcel, there is no notification radius for the project. A community open house was held on August 22, 2017. This open house was advertised in the Red Rock News and on the City's website. In addition, citizens who have previously indicated that they are interested in housing issues were informed of the meeting. A summary of that meeting is included in the Citizen Participation Report*
 - b. The public hearing was noticed in the Red Rock News with a ¼ page display ad on September 1, 2017.*
 - c. City-wide notification regarding all 2017 Major Community Plan Amendments was distributed on August 28, 2017 and included this proposal.*
2. Shall be presented at a single public hearing in the same calendar year the proposal is made.
 - a. The proposal was made in 2017. The Planning and Zoning Commission hearing is scheduled to be held on September 19, 2017, and the City Council public hearing is tentatively scheduled for October 25, 2017.*
 - b. All Major Community Plan Amendments will be presented at the same public hearing.*
3. Be approved by an affirmative vote of at least two-thirds of the members of the City Council.
 - a. The proposal will not become effective unless approved by two-thirds of the City Council.*
4. May be initiated by the City or requested by the private sector.
 - a. This proposal was initiated by the City of Sedona.*

EVALUATION OF PROPOSAL

Considerations for Major Community Plan Amendments

When considering a change to the Community Plan, consideration should be given to the following:

- The Community's Vision
- Adopted Plans
- Community Expectations
- Overall consistency with the Sedona Community Plan

Background Information and Community Plan Considerations

For a complete explanation of this proposal, the reasons it being proposed, and Community Plan implications, please see the following attachments:

- Background Report (Attachment 2)
- Facts and Figures (Attachment 3)

The following is a summary of the information contained in the documents listed above.

The Sedona Community Plan notes that “a sustainable community offers a range of housing types by providing opportunities for people to live near jobs, shopping and services, which enable shorter trips, the use of alternative transportation, and a reduction in traffic congestion” (Community Plan; Land Use, Housing, and Growth, page 23). However, while the Community Plan acknowledges that

“apartments provide a versatile housing type from the point of view of both individuals and developers,” it also notes that “apartments make up 4 percent of Sedona’s housing units compared with the statewide average of 22 percent” (ibid, page 24).

One of the reasons the City has a low percentage of apartment housing is the density limit of 12 units per acre. This has often been cited as too low to support diverse multi-family housing options, including affordable units. Given the current density maximum of 12 units per acre, developers do not have the option of building more units and will instead build larger units in order to recoup their investment, leading to higher price points.

Understanding that the density limits can be an impediment to housing development, the current Community Plan included a provision for residential densities greater than 12 units per acre to be permitted in Community Focus Areas (CFAs) through the approval of a CFA plan. However, these provisions are limited to the areas contained within the boundaries of the adopted CFA areas. Though City Staff is working diligently on CFA planning, there are a number of CFAs without adopted plans as well as significant areas of the City that will never have a CFA plan. Consequently, there are currently no opportunities for higher densities to be considered in areas outside of a CFA or in areas where a CFA plan has not been adopted.

In exploring options to address the current shortage of housing, Staff felt it was necessary to have a mechanism through the Community Plan to consider higher densities. The proposed text amendment would allow for the consideration of residential densities higher than 12 units per acre under certain circumstances.

Adoption of the text amendment would not redesignate any properties to the new land use designation. However, another Major Community Plan Amendment being considered in this same cycle (Pinon/89A Multi-family Project) is requesting a redesignation to this designation. Other properties desiring higher densities will need to apply for a Major Community Plan Amendment, along with potentially a zone change, development review, and/or subdivision, depending on the scope of the project.

Any new multi-family development would have to obtain rezoning approval in addition to a Community Plan Amendment. During the rezoning process, the project would be reviewed for compliance with the Community Plan language regarding the circumstances under which higher density residential development can be considered. Currently, the proposed language states:

“High Density multi-family projects may exceed densities of 12 DU/AC on a case-by-case basis through consideration of strategies for achieving housing diversity, affordability and availability to address local housing needs.”

The City would use the zone change process and the language in the Community Plan to determine whether a proposal meets the criteria laid out in the Community Plan for consideration of densities greater than 12 units per acre.

While this application proposes to add a new land use designation to the Community Plan, a corresponding zoning district is already in place. The City’s existing RM-3 (High Density Multi-family Residential District) allows a maximum of 20 units per acre. Though the City has had this zoning district since incorporation, the density limits in the Community Plan have not allowed new rezonings to this district. Adoption of the new Community Plan land use designation would allow for Community Plan

support for rezonings to this district when the criteria in the Community Plan are being met. In addition to the RM-3 zone, a high density residential project could be considered through an application for a PD (Planned Development) or PRD (Planned Residential Development). Given the existing zoning districts, no changes to the Land Development Code are needed in conjunction with the Major Community Plan Text Amendment.

Other Hurdles for Multi-family High Density Development

One of the comments brought up during the City's public outreach was that this proposal would not create enough of an incentive for developers to propose multi-family high density projects. Some of the other hurdles that were identified include the following:

- Need for a Major Community Plan Amendment
- City Fees (Sewer Fees, Development Impact Fees, Building Permit Fees)
- High Cost of Land

Staff recognizes that these all play a role in the difficulties that are encountered for developers desiring to build multi-family high density projects. However, before any of these items can be addressed, the first question that needs to be answered is whether or not the Community Plan is supportive of multi-family high density projects. Currently, with the density cap of 12 units per acre, the Community Plan is not supportive of multi-family high density projects, so trying to address the other hurdles is not a prudent use of resources. If the proposed Community Plan Text Amendment is approved, with City Council direction, Staff can begin to explore solutions that may address the other hurdles identified by developers.

For example, if given direction from Council, Staff could bring forward another Community Plan Amendment that would change the major amendment criteria so that a project that applies for the Multi-family High Density designation and meets the criteria could be considered as a Minor Amendment rather than a Major Amendment.

CONCLUSION

The proposal under consideration is a Major Community Plan Amendment. While the City routinely considers proposals to amend the Community Plan, the decision of whether or not to make a particular amendment is a legislative policy action left to the judgement and discretion of the Planning and Zoning Commission and City Council. A variety of factors are considered when making these decisions, including how the proposal relates to the community's vision, adopted plans, Community Expectations and overall consistency with the Sedona Community Plan. In this case, the Planning and Zoning Commission is being asked to evaluate the proposal and forward a recommendation to the City Council.

The proposal is requesting a add a new land use designation of Multi-family High Density to allow for consideration of development of projects with a density greater than 12 units per acre if the project includes strategies for addressing local housing needs. The proposed text amendment would not redesignate any specific properties to the new land use designation, but would create a mechanism through which multi-family high density projects could be considered. Applications to apply this new land use designation to the map would be considered on a case-by-case basis.

Findings of Fact

- The Community Plan limits residential densities to 12 units per acre.
- The City has an extremely limited supply of multi-family developments and multi-family zoned land.
- One of the 6 desired outcomes of the 2014 Community Plan is Housing Diversity and the plan housing goals include encouraging diverse and affordable housing.
- Potential multi-family developers have cited the City's density cap of 12 units per acre as a significant impediment to development of multi-family projects.
- The State of Arizona's recent passage of SB 1350 has further tightened the Sedona housing market as many houses are being converted into short term rentals.
- Without a mechanism to consider multi-family projects with densities greater than 12 units per acre, it is unlikely that development of workforce housing will be feasible in Sedona.
- There may still be hurdles to seeing multi-family high density housing developed in Sedona. If given City Council direction to do so, Staff can explore other ways to incentivize development of multi-family high density residential projects.

In conclusion, staff believes that the proposed text amendment is in compliance with applicable goals and policies as enumerated in the Community Plan and outlined in this staff report and is recommending approval.



Staff Recommendation (Major Community Plan Amendment):

Staff recommends approval of the proposed Major Community Plan Amendment as set forth in case number PZ17-00008 (Major CPA), Multi-family High Density Text Amendment.

Sample Motions for Commission Use

(Please note that the following motions are offered as samples only and that the Commission may make other motions as appropriate.)

Recommended Motion for Approval:

I move to recommend to the Sedona City Council approval of case number PZ17-00008 (Major CPA), Multi-family High Density Text Amendment, based on the findings as outlined in the Staff Report.

Alternative Motion for Denial:

I move to recommend to the Sedona City Council, denial of case number PZ17-00008 (Major CPA), based on the following findings (please specify findings).